Information Commissioner's Office

Audit and Risk Committee – for decision

Meeting date: 18 October 2021

Time required: 10 minutes

Presenter: Louise Byers

Approved by: Paul Arnold

Topic: Depreciation Policy Review.

Issue: Implementation of audit recommendation regarding depreciation from the 2020-21 audit undertaken by the National Audit Office.

Purpose of report:

Depreciation is the charge applied to the Income and Expenditure statement to reduce the value of assets on the balance sheet, to reflect the reduction in the value due to use, and wear and tear. In their 2020/21 Audit Completion Report, the National Audit Office highlighted the need to review the method of calculation we apply to ensure we are compliant with IAS 16 (Property, Plant and Equipment).

This report is to inform the Audit and Risk Committee of the review of the proposed changes and impact within the depreciation calculation.

Discussion:

The Audit Completion Report identified that "ICO is providing depreciation on a straight line basis to write off the cost of assets evenly over the useful economic lives of those assets. ICO is following a policy to charge full year depreciation in the year of acquisition and no depreciation in the year of disposal." IAS16 requires depreciation to comment when the asset is made available for use and to cease on the date when an asset is disposed of. In the 2020/21 accounts, the impact of providing for depreciation in line with IAS16 on the charge for the year would have been an increase of £17k.

While the NAO noted that the difference 'when considered both for this year and cumulatively, is not material'. They also considered the current accounting policy to be reasonable and acceptable but asked the ICO to consider whether this position remains tenable in future years.

An excel spreadsheet detailing the impact of the new calculation has been produced, applied to our current list of assets. It is important to note that this work highlights that the new value for depreciation is still not of a value that would materially affect the accounts and, as there no significant capital expenditure planned in this financial year, this is most likely to the case at year end. However, when the issue was considered by the ICO's Resources Board, it was agreed that the ICO should move to the new policy to ensure compliance with IAS16.

Next steps:

With regards to detailing the change of Accounting Policy, and the detail of this within the Annual Accounts, guidance would be taken from the External Auditors on the formats and disclosures required.

Publication considerations: This report can be published internally and externally.